



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

**Friday, September 3, 2010
10:30 A.M., MST**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. David Byers, Chair of the ASRS Board, called the meeting to order at 10:58 A.M., MST.

The meeting was not teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. David Byers, Chair
Mr. Tom Connelly, Vice-chair (arrived at 10:59 A.M.)
Mr. Chris Harris
Professor Dennis Hoffman
Mr. Kevin McCarthy
Mr. Tom Manos
Mr. Michael Townsend
Mr. Larry Trachtenberg
Mr. Steve Zeman

A quorum was present for the purpose of conducting business.

2. Presentation and Discussion Regarding Proxy Voting and Shareholder Activism

Mr. Byers introduced the topic and a general discussion was held on proxy voting and shareholder activism. Ms. Carol Drake, Director, External Relations, Ohio Public Employees Retirement System (OPERS), gave a presentation on what OPERS has done regarding proxy voting and corporate governance. Mr. Stephen Brown, Director, Corporate Governance and Associate General Counsel, TIAA-CREF, gave a presentation on shareholder activism. Mr. Marc Goldstein, Research Engagement, ISS Governance, and Mr. Steve Traylor, Account Manager, ISS Governance discussed proxy voting guidelines, their development, varying clients' use of these guidelines, and also reviewed some of the most recent primary proxy voting issues.

Mr. Paul Matson, Director, indicated that staff would research effective ways in which the ASRS could consider being somewhat more engaged in shareholder issues.

3. Presentation and Discussion Regarding National Pay-to-Play Issues

Mr. Byers introduced the topic. Ms. Caren Hanson, Director, State Government Relations, TIAA-CREF, discussed her firm's perspective and activities regarding pay-to-pay and investment conflict of interest matters.

Mr. Allan Martin, Partner, New England Pension Consultants, discussed, in detail, sales agents, their investment industry use and known abuses, and remedial action taken by public funds to

address pay-to-pay conflicts. Mr. Gary Dokes, Chief Investment Officer, discussed the ASRS placement agent disclosure policy. A general discussion ensued regarding "pay-to-play."

4. Presentation and Discussion Regarding Significant Investment Assumptions and Actuarial Assumptions and Methods including but not limited to: Assumed Earnings Rate, Inflation Rates, Real Rates of Return, Amortization Period, Mortality Rates, Disability Rates, Withdrawal Rates, Salary Growth Assumptions, Retirement Rates, Health Insurance Elections, and Election of Refund or Deferred Pension

Mr. Byers introduced the topic. Mr. Christopher Levell, Partner, New England Pension Consultants, presented his firm's perspective to the Board. A general discussion was held regarding actuarial and investment assumptions used to determine ASRS aggregate fund liabilities, asset allocation, funded status and subsequent contribution rates.

Mr. Charlie Chittenden, Actuary, Buck Consultants, and Mr. Stephen McCourt, Managing Principal, Meketa Investment Group, gave presentations to the Board. As part of the discussion, the Board debated ASRS' current 8% assumed actuarial return from the perspective of whether or not this return assumption expectation is reasonable in the context of the financial markets and a long-term period time horizon.

Mr. Michael Townsend requested staff and/or the Investment Committee present 30 year projections. Mr. Larry Trachtenberg requested staff to look at what would occur if the work force were to retract by possibly 1% or 2% per year. Mr. Trachtenberg also requested staff look at the effect of a decreasing inflation rate. Mr. Tom Connelly asked if the Board should consider anything else. Mr. Charlie Chittenden, Actuary, Buck Consultants, said the Board could look at how the decision would be made as to when to change the rate of return. Mr. Byers requested staff look at the impact of an interest rate that is perhaps 1% and 2% lower than the current rates.

Mr. Chris Harris departed the meeting at 3:20 P.M.

Mr. Byers stated the agenda item regarding Health Insurance Plan Design and federal, state, and market environment would be postponed to the October meeting, given time, or to another future public Board meeting since discussion of the previous agenda items had been lengthy.

5. Presentation and Discussion Regarding Pending Negotiations with the ASRS Health Insurance Vendor

Motion: Mr. Steve Zeman moved to go into executive session. Mr. Tom Connelly seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

The Board adjourned to go into executive session at 4:17 P.M.

6. The next ASRS Board meeting is scheduled for Friday, October 15, 2010, at 8:30 A.M., at 3300 N. Central Avenue, 10th Floor Board room, Phoenix, Arizona.

7. Adjournment of the ASRS Board

Mr. Byers adjourned the executive session and the Board meeting at 5:02 P.M.

ARIZONA STATE RETIREMENT SYSTEM

Lisa Hanneman
Board Secretary

Date

Paul Matson
Director

Date